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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations further amend the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (S.I.1997/473). Section 463(1) of the Income and Corporation Taxes Act 1988 (“the Taxes Act”) provides that the Corporation Tax Acts shall apply to the non-tax exempt life or endowment business carried on by registered friendly societies in the same way as they apply to mutual life assurance business carried on by insurance companies, but gives the Treasury power to provide by regulations that those Acts as so applied are to have effect subject to such modifications and exceptions as may be prescribed by the regulations. The principal effect of these Regulations is to prescribe modifications of provisions enacted in the Finance Act 2002. Authority for the retrospective effect of these Regulations is given by section 463(4) of the Taxes Act.

Regulation 1 provides for citation, commencement and effect and regulation 2 for interpretation.

Regulations 3 to 8 make minor drafting amendments to S.I. 1997/473.

Regulation 9 introduces modifications to Schedules 7AC and 7AD to the Taxation of Chargeable Gains Act 1992 (inserted by Part 1 of Schedule 8, and Schedule 31, to the Finance Act 2002, respectively). The inserted regulation 50A modifies the meaning of “long-term insurance fund” in paragraph 17 of that Schedule 7AC, for those friendly societies which do not have such a fund, so as to identify assets held by the society which are similar to such a fund. The inserted regulation 50B makes a similar modification to paragraph 10 of that Schedule 7AD.

Regulation 10 introduces modifications to provisions in the Finance Act 2002 itself. The inserted regulations 53E, 53F, 53G and 53J replace references to the defined terms “transfer scheme” and “insurance business transfer scheme” (principally under the Financial Services and Markets Act 2000) with references to the equivalent for friendly societies, “specified transactions” (as defined in regulation 2 of S.I. 1997/473). The inserted regulation 53H restricts the reference in paragraph 36 of Schedule 29 to the Finance Act 2002 to “basic life assurance and general annuity business” to such business which is taxable (to which paragraph 36 is only relevant, for friendly societies).